

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1894

March 17, 2009

SUMMARY OF BILL: Requires the current three-eighths apportionment of Hall Income Tax (HIT) revenue presently received by incorporated cities and counties to instead be allocated exclusively for higher education capital projects as specified each year within the General Appropriations Act.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

\$32,853,000/FY09-10/Higher Education Capital Outlay

**\$65,706,000/FY10-11 and Subsequent Years/Higher
Education Capital Outlay**

Decrease Local Revenue –

\$32,853,000/FY09-10

\$65,706,000/FY10-11 and Subsequent Years

Assumptions:

- According to Fiscal Review Committee estimates submitted to the State Funding Board in December 2008, HIT collections are projected to be \$175,216,000 for FY08-09.
- HIT collections remain constant in subsequent years.
- Pursuant to Tenn. Code Ann. § 67-2-119, five-eighths (62.5 percent) of all HIT revenue is deposited to the state's general fund; the remaining three-eighths (37.5 percent) is apportioned to cities and counties.
- Three-eighths of \$175,216,000 is approximately \$65,706,000. Therefore, local government revenue will decrease by approximately \$65,706,000 per year; state revenue earmarked for higher education capital projects will increase by \$65,706,000 per year.
- The first year impact is estimated at 50 percent of the first full year impact due to the January 1, 2010 effective date.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large initial "J" and a distinct "W".

James W. White, Executive Director

/rnc